MilitaryMarket

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Milreps: Giving 'Em the Business

Page 42

Fooling Around With T

Snacks Add Crunch to S

Benning's the Best Store

New Milrep Directory

Military Market serving the military retail system

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coming

May: Beverages, Photography, Marine Commissaries
June: Produce, Ethnic Fashion, Back-to-School, AAFES
July: Annual Almanac and Directory issue
August: Holiday Preview, Audio, Coast Guard

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Military Market survey

High-Tech in the Comstores
Are They Ready?

COMMISSARY MANAGERS in both AFCOMS and NAVRESSO appear eager to accept the new technology that is rapidly entering the day-to-day operations of their stores.

Thirteen of the 20 managers contacted for this month's survey said they were familiar with the tests of direct store delivery within AFCOMS and NAVRESSO.

Familiarity does seem to breed contempt, however, as 10 managers said they felt direct ordering would be unworkable in their stores. "I don't see any way that the commissaries will be able to work closely enough with industry to see that 96 percent of the deliveries are made promptly," the standard for the test.

Other managers said they see many advantages to direct store delivery. Timeliness, improved service to patrons and less money tied up in overhead were among the most commonly cited benefits.

"I think direct store delivery would bring us closer to the industry and improve our relationship with them. It would definitely give us a greater response time. This is the way a lot of commerical firms operate. It's not like it's any novel idea. Maybe for the commissaries, it is, but not within industry," says one AFCOMS commissary store manager.

One idea that is novel to 10 of the 20 commissary store managers surveyed however, is UCS — the uniform communications standard program. Fifty percent of the sample said they had heard about UCS, but were not familiar with the details of the program or the implications UCS holds for the future management of their stores.

Only three AFCOMS or NAVRESSO managers said they knew a lot about the program. Seventeen commissary managers tell MILITARY MARKET that their headquarters has told them little or nothing about UCS. Others had heard bits of information through the grapevine, ALA meetings, other store managers and the trade press.

Several managers expressed the general feeling that, "The commissaries should learn to crawl before they walk." Many store managers felt that a system such as UCS, in which store managers reorder by scanning the shelves with a hand-held wand, should not come to the commissaries until scanning is completed in their stores.

"I dont' think we want to put the cart before the horse. A sophisticated system such as this would be much easier with scanning. This would allow me to have a better idea of specific product movement within the store," says a NAVRESSO store manager.

Scanning was also foremost in the mind of this AFCOMS commissary manager who says, "Getting scanning at the cash register is the first priority. Paperless ordering via computers is still a long way down the road for the commissaries. They'll study it for a long time, have a lot of meetings and panels and committees... Then after UCS is in widespread use in the private sector, finally decide to get into it."

Commissary managers surveyed were divided on whether the commissaries lag behind their civilian grocery store counterparts, with 12 of the 20 managers saying they felt the commissaries were not technologically inferior to the commercial grocery outlets.

Still, there were some vocal commissary managers who disagreed. "If you look closely at the innovation in this industry, it is not happening in the commissaries. New products, new technologies and new ideas are happenning in the commercial outlets first. Scanning is the perfect example. The commissaries got into it much later than the outside."

MM

1. — AFCOMS AND NAVRESSO ARE CURRENTLY TESTING DIRECT STORE DELIVERY, IN WHICH ORDERS ARE PLACED DIRECTLY WITH A DISTRIBUTOR RATHER THAN THROUGH A MILREP. ARE YOU FAMILIAR WITH THESE TESTS?
Yes — 13. No — 7.
IF SO, WHAT HAVE YOU HEARD AND WHERE DID YOU HEAR ABOUT IT? DO YOU LOOK FORWARD TO THIS OCCURRING AT YOUR STORE?
Look forward to it — 13. Do not look forward to it — 2. Don't know — 5.
2. WHAT ADVANTAGES DO YOU SEE IN BEING ABLE TO ORDER DIRECTLY FROM DISTRIBUTORS? Improved deliveries — 3. Improved patron service — 4. Less money tied up in inventory — 10. No advantages — 3.
3. WHAT POSSIBLE DISADVANTAGES DO YOU SEE FOR YOUR STORE BY PLACING ORDERS DIRECTLY? Higher prices — 1. More administrative work at store level — 1. "Not sure it's feasible" — 12. Not-in-stock situation will worsen — 2. See no disadvantages — 4.
4. A FACET OF DIRECT STORE DELIVERY INVOLVES UCS. ARE YOU KNOWLEDGEABLE ABOUT UCS — THE UNIFORM COMMUNICATIONS STANDARDS PROGRAM THAT WILL ALLOW "PAPERLESS ORDERING" BETWEEN THE COMMISSARY AND THE DISTRIBUTOR?
Yes — 10. No — 10.
(BY USING UCS, ORDERS AND OTHER INFORMATION ASSOCIATED WITH COMMISSARY BUYING AND ORDERING ARE TRANSMITTED VIA COMPUTER, RATHER THAN ON PAPER AND THROUGH THE MAILS)... THE COMMISSARY'S COMPUTER CAN BE LINKED DIRECTLY TO THE DISTRIBUTOR'S. ALL A STORE NEED DO IS SCAN ITS SHELVES WITH A HAND-HELD DATA-ENTRY TERMINAL AND A DELIVERY ORDER CAN BE GENERATED BASED ON THE INFORMATION KEYED IN.
See story above for comments.
5. IF YOU HAVE HEARD OF UCS, WHERE DID YOU HEAR ABOUT IT?
Trade press — 2. ALA — 3. Headquarters — 5. Other managers — 3. Grapevine — 2. Have not heard of UCS — 5.
6. WHAT, IF ANYTHING, HAS YOUR HEADQUARTERS TOLD YOU ABOUT UCS OR AUTOMATED DIRECT STORE DELIVERY?
Nothing — 7. A little — 10. A lot — 3.
7. ONE OF THE IMPLICATIONS OF UCS COMING TO THE COMMISSARIES WOULD BE THAT MILREPS WOULD CHANGE THE NATURE OF THEIR SALES CALLS TO THE COMMISSARIES — DOING LESS INVENTORY TAKING AND ORDER WRITING AND MORE DISPLAY BUILDING AND SALES PRESENTATIONS. WHAT DO YOU THINK OF THIS?
See story above for comments.
8. HOW DO YOU THINK THIS WILL AFFECT YOUR BUSINESS WITH YOUR BROKERS?
Improve relationship — 7. Hurt the relationship — 8. No change — 5.
9. AS A STORE MANAGER, IS THERE A PARTICULAR AREA OF STORE OPERATIONS THAT YOU WOULD LIKE TO SEE AUTOMATED OR UPDATED?
Cash register scanning — 7. Warehouse/inventory — 5. Order systems — 8.
10. DO YOU THINK THE COMMISSARIES ARE LAGGING BEHIND CIVILIAN GROCERY STORES IN TECHNOLOGICAL ADVANCES?
Yes — 8. No — 12.

who made her debut four years ago and still breaks her sales records each year, will boast an even larger line in 1984. "Everything is new for Strawberry Shortcake — in both sizes and accessories, with lots of new friends and pets, such as the Party Pleasers and Sweet Sleepers collections in the Berry Happy Home," said Robertson.

The big news from Kenner is its Rose-Petal Place doll, with gossamer costumes and pastel hair. She will soon star in her own animated TV special. Buyers are also looking for big sales with two Hallmark Cards Inc. licenses — Mattel Inc.'s Rainbow Brite dolls and Kenner's Rose-Petal Place line.

A New Marketing Phenomenon

One of the big trends in the toy industry is licensing. Licensed products — items that take their theme or identity from movies, television shows and even greeting cards — have captured perhaps half of the U.S. toy market, said Douglas Thomson, TMA president. "Just five years ago, they represented 10 percent of sales or less."

Licensed products set the pace for the banner sales year achieved by the toy industry in 1983 and are expected to play an equally important merchandising role this year.

It should come as no surprise that the top license (and toy) of the year was the Cabbage Patch Kids doll. Co-

Get Johnny a Gun?

AFTER MORE than a 10-year hiatus, 1982 marked the year of the return of G.I. Joe and war toys in a big way.

G.I. Joe's 1983 sales surpassed their total 1982 sales record within the first six months of 1983, with sales of more than $50 million. After the '60s, and much of the controversy that surrounded the sale of violent toys, these toys are back with a vengeance. The sales of guns and toys have doubled nationwide from 1979 to 1982, to top $72 million for that year.

"War is a popular phenomenon again. After the disappearance of G.I. Joe for more than 10 years, we saw him emerge last year to be one of the top selling toys," says a spokesman for the National Coalition on Television Violence. "The Reagan folks have made war fashionable again," says Peggy Charren, president of Action for Children's Television. "Look at the clothes, the toys. It's everywhere."

The toy industry is clearly rearming. The policy of the '60s, the move away from the emphasis on war toys, is over. Sears reintroduced war toys into its catalogue in 1982. *Toys, Hobbies & Crafts* magazine encourages toy manufacturers to "Think Military!"

Should parents be concerned by this trend? Some leading child psychologists think so. "Parents tend to look at it as 'creative fun,' not violence," says a spokesman for NCTV, citing the following statistics:

CARTOON SHOW	VIOLENT ACTS/HOUR
Flash Gordon (NBC)	50
Bugs Bunny & Road Runner (CBS)	47
Incredible Hulk/Spiderman (NBC)	44
Popeye & Olive (CBS)	33
Pandemonium (CBS)	31
Sylvester & Tweety/Daffy (CBS)	24
Superfriends (ABC)	23
Scooby & Scrappy Doo (ABC)	21

SOURCE: NCTV, 1983 Monitoring

Leading child psychiatrists offer a strong argument by saying that making a game of mock armed conflict is a poor way to begin fostering an understanding within a child about the horror of shattered bodies, broken hearts and war. "A toy gun, as a gift from a parent, is an endorsement for the use of guns," says Ellen Smith of Alternatives to War Toys, a San Diego-based advocacy group. Stevanne Auerbach, a psychologist and president of the Institute for Childhood Resources in San Francisco, is also concerned with the trend toward military toys: "It's not just the guns; it's all that goes along with them — the reinforcement and acting out of violence."

NCTV is particularly disturbed about the amount of violence returning to television, especially in the area of children's programming. Five new Saturday morning cartoon shows are promoting different lines of action toys. For example, CBS has introduced "Dungeons & Dragons," which NCTV found to average 38 acts of violence per hour. Mattel's "He Man: Masters of the Universe" averages 78 violent acts per hour, the highest number the group has ever recorded.

The group will be asking Congress to act on legislation dealing with promotional TV ads that "equate violence with good entertainment."

"Advertisers are flooding kids with commercials that show kids having fun with violence. Hasbro, for instance, reported that the average five-to-eight-year-old boy saw 50 ads for G.I. Joe toys last year. The average child this year will see 300 or more ads promoting violent toys and over 1,000 ads promoting violent programs," says psychiatrist Thomas Radecki, chairman of NCTV.

NCTV has proposed a law that would require the FCC to establish rules requiring counteradvertising. Specifically, for every three "violence-promoting" announcements and programs run, the nation's networks, local licensees, cable programmers and cable operators would have to make one public-service time slot available for the presentation of an oppposing point of view. NCTV is not overly optimistic that such a law will be considered by the FCC given its current mood of deregulation.

The group is also calling on church, educational and health groups to warn parents and children against the purchases of violent toys this coming Christmas, asking for a boycott of these products. The group is also urging a boycott of all toys produced by Mattel, which NCTV reports was the leading sponsor of Saturday morning violence in its most recent survey.

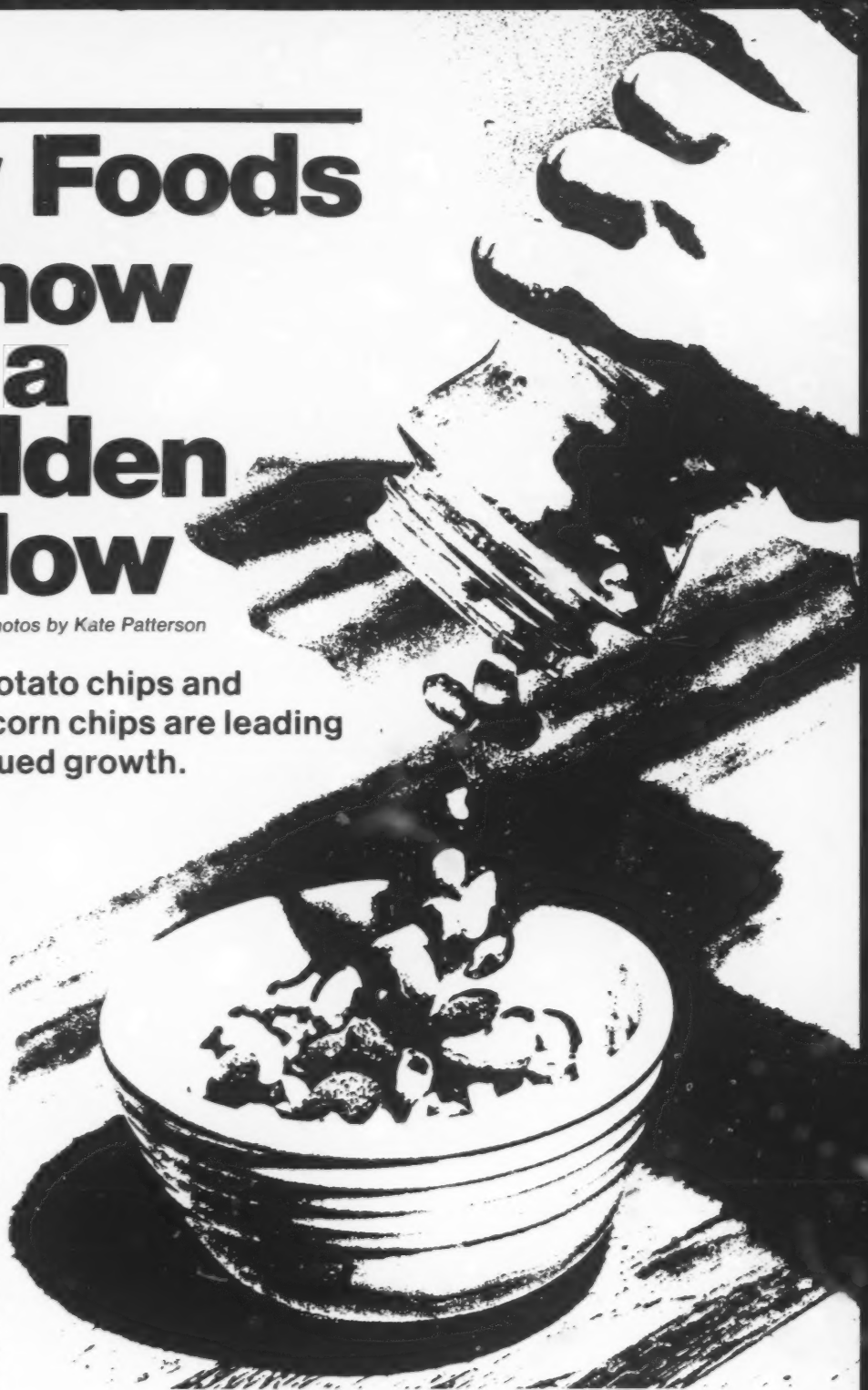
Radecki, NCTV's chairman, tells MILITARY MARKET that, "Despite 1972 and 1982 reports by the National Institute of Mental Health which demonstrate beyond doubt the causal relationship between violence on TV and violence in society, these programs directed at kids continue."

"America's broadcasters are being quite irresponsible in heavily advertising and promoting violence to America's children," he says. "The first TV generation has grown up to be the most violent adult generation of this century. We are promoting a barbarian warrior ethic where all problems are solved by the sword or cannon." — **J.B.**

Salty Foods Show a Golden Glow

Photos by Kate Patterson

New, crunchier potato chips and heavy volume in corn chips are leading the way to continued growth.



By DAVID B. COOLEY
Associate Editor

THE SALTED SNACK food market continued to grow at an estimated rate of more than 7 percent in units and 12 percent in dollars through 1983, and its growth shows no sign of slowing in 1984, say industry observers. Especially important is the corn and tortilla chip category, which outperformed the market as a whole and grew at an estimated 19 percent in unit sales in 1983.

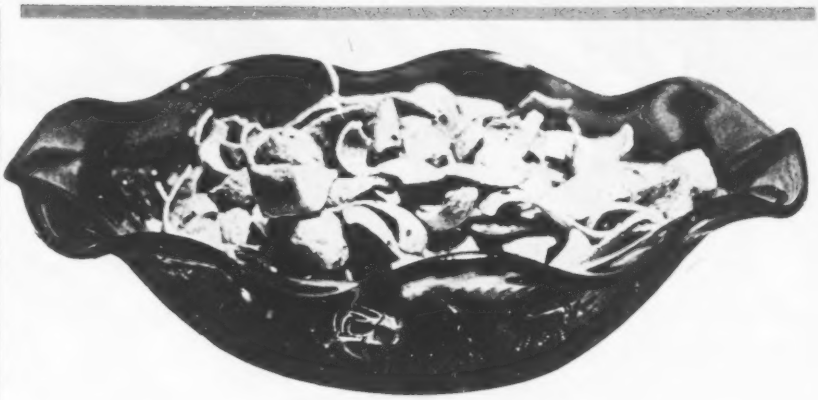
Worldwide commissary sales were estimated at $80.7 million in CY 1982, the latest figures available. These figures show greater gain in the commissaries than the national industry figures for the entire salted snacks category in the same year — a dollar increase of 9.2 percent in the military food stores, while the snacks industry posted growth of 8.7 percent.

Commissary dollar increases in the nuts category (included in the $80.7 million) were much better than the industry as a whole, with an increase of 9.3 percent (estimated worldwide sales of $22.7 million). Industrywide sales of nuts were down 4.6 percent in dollar volume.

A host of companies is scrapping for chips of this $5.7 billion market, which is comprised of potato chips, corn and tortilla chips, nuts, meat snacks, pretzels, popcorn and other processed snack foods. But in the world of salted snacks, the lion's share is held by Frito-Lay Inc.

Frito-Lay enjoys 40 percent to 50 percent of the total salted snack food market, and some 80 percent to 85 percent of the corn and tortilla chip category, according to Joseph B. Morris, editor of *Chipper/Snacker* magazine, published by the Potato Chip/Snack Foods Association.

While Frito-Lay mass merchan-



dises to a national appetite for snacks, some of the medium-sized and smaller snack food companies cater to a particular ethnic market, such as spicy Mexican-style snacks. Many of these regional producers also make conventional or traditional snacks — potato chips, corn chips, pretzels, corn curls, etc.

The marketing efforts of these regional companies pay off. These scores — if not hundreds — of smaller, regional companies have extruded market segments big enough not just to survive on, but to thrive on. In many cases these are market segments (both geographic and product types) that Frito-Lay previously had targeted and won. "After Frito-Lay creates the market, here come the raiders," Morris says.

Prime target for the "raiders" is the lucrative and rapidly growing corn and tortilla chip market, says Morris. Mexican food is growing in popularity — Mexican food chains are coming in, and the Mexican food is corn-based, he says.

"The corn chip market is riding on the coattails of the Mexican food growth. The corn [chip] guys are coming up all over the place," he says.

Loyalties to these regional producers can be intense. For instance, in the Los Angeles marketing area — one of the largest in the country — there are about 70 regional producers of snack items within 150 miles of the city, according to Morris. He also points out that the Southwest is the "home" of the Mexican food movement in the country.

There is no clear-cut pattern in the proliferation of snack food producers, Morris says. "Some consolidation is going on, but it seems to come and go. Big companies buy up little ones, but later get out of it," he says.

Chips on Top

Frito-Lay does not stand idly by, watching others take over the snack food market. To maintain its market dominance, the company continues to examine new products — only a few of which ever get bagged and sold. The giant chip manufacturer's newest offering is a variation on its Ruffles brand potato chips — O'Gradys potato chips.

O'Gradys is a ridged potato chip, thicker than other ridged chips, which the company rolled out nationally in early February following a year-long test in Omaha. This is the first new potato chip product from Frito-Lay since Ruffles made its appearance in the mid-'60s, company sources say.

"It's a thicker potato chip, and it's extra crunchy because of the way it's cut," John Patrick, MSM at Frito-Lay tells MILITARY MARKET. Two years of research went into developing this chip, he says.

O'Gradys are initially available in eight-ounce and 12-ounce bags for the plain chips, and 7.5-ounce and 11.5-ounce bags for the au gratin. A 1½-ounce size for each flavor will come along later.

Au gratin O'Gradys are made with a cheddar cheese coating. "The deepness of the ridges cradles more cheddar cheese to give a good taste," says Ralph Berry, a company spokesman.

Why include au gratin at the outset? "Cheese-flavored chips are the fastest growing segment of snack chips," says Leo Kiely, vice president for marketing, "and au gratin will be able to tap that market." This is not the first time a potato chip has been made with a cheese flavor; earlier, and still in limited distribution, Frito-Lay marketed Lay's zesty cheese potato chips.

The O'Gradys au gratin flavor was developed to address a very strong consumer demand, Kiely says. Frito-Lay will back the launch with the largest new product budget in the company's history, he says.

Crunchy Chips: Heavy Marketing

Couponing will be an important promotional tool for O'Gradys as part of an initial promotional funding of about $25 million, a company spokesman tells MILITARY MARKET.

"Coupons will be in the Sunday papers and later in the military papers," Patrick says. In addition, the company supported a nationwide three-week TV advertising blitz in February, during which company officials estimated 95 percent of the population was exposed to O'Gradys. A lower profile of TV advertising will continue through most of 1984. Additionally, VPRs, in-store displays, POS material and on-package coupons will help to place O'Gradys in a dominant market position in months to come, Patrick says.

A viable product should gain and hold a retail share of at least $50 million without taking sales away from other Frito-Lay products, company officials say. "We expect O'Gradys to sell at $100 million," Patrick says.

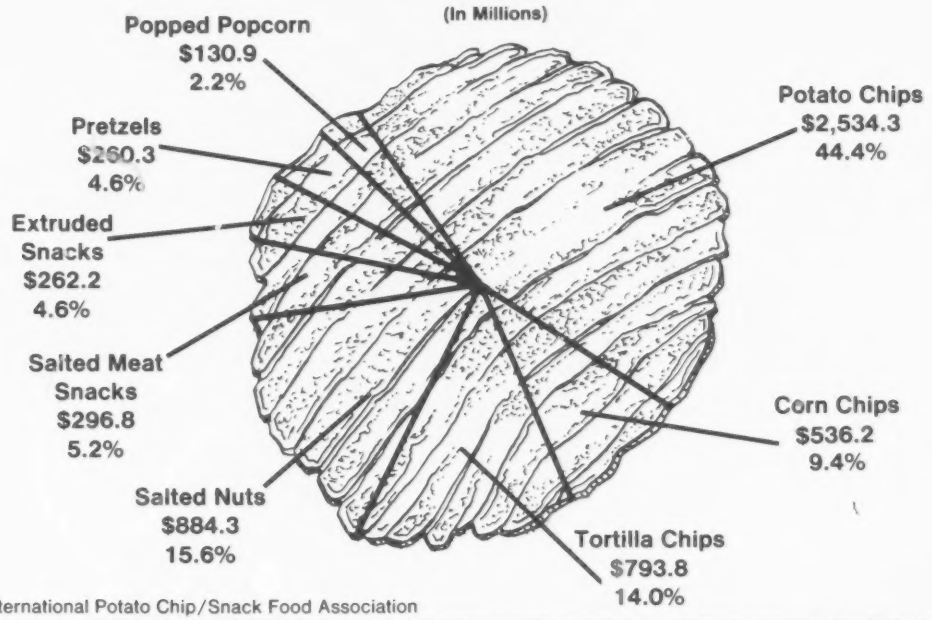
The best seller for one California company, Granny Goose Foods, is Hawaiian potato chips. These chips are made in the Hawaiian style — that is, they're greasier and thicker than most potato chips, according to MSM Bob Watry. They sell well in the military stores in California and Hawaii, he says. Typical of regional snack makers, Granny Goose distribution is limited to a defined geographic area. In this case, the area is the states of Hawaii and California. Military distribution is made overseas through a broker.

Granny Goose also makes "quite a few different items," Watry says, such as California-style potato chips, 100% Natural Chips, Native American-style potato chips, Traditional-Style Tortillos (overseas only) and tortilla chips with a package of powdered cheese inside that can be melted in a microwave or in a saucepan and poured over the chips. It recently added a San Francisco-style sourdough snack. This is a hard, French bread with "snack flavoring" on it, Watry says.

The products Granny Goose supplies to commissaries and exchanges on the West Coast are packaged in standard pliafilm bags, which have a shelf life of six to eight weeks, Watry says. Those being shipped overseas are packaged in foil bags, which give the products a five- to six-month shelf life, he says.

Notwithstanding the heavier,

CY 1982 Snack Food Sales Volume
$5.696 Billion



SOURCE: International Potato Chip/Snack Food Association

greasier chips made by Granny Goose, nearly every snack producer MILITARY MARKET spoke with recently reports a product or a product group in the salt-free, low-salt and low-fat categories. Each company spokesperson has cited a relatively small but growing demand for these lighter snack foods by diet-conscious consumers.

Typical of these is the Borden Co. Borden's Wise brand has several snack foods in test market: Wise Lite-line potato chips, Lite-line nacho cheese tortilla chips and Lite-line baked cheese puffs. The company says all three have one-third less fat and fewer calories than regular versions of the same products.

Snacks in a Nutshell

"The supply [of peanuts] is right on target — there will be an adequate supply. [However], peanuts are planted in the spring — we don't know what the rest of 1984 will bring," says Perry A. Russ, president of the National Peanut Council.

Average peanut prices at the farm level (raw, in the shell) are estimated to remain stable at about 25 cents per pound in the 1983-84 season, according to George Hazera, economics researcher at the Department of Agriculture. The price paid farmers in 1982-83 averaged 25.1 cents per pound.

Peanuts aren't the only snack nut. Almonds — California's largest food export — will be plentiful this year, says Joanne Miller, MSM at California Almond Growers Exchange. "The boom is starting — the price should start coming down when this crop gets on the market [in September]," she says.

The company's Blue Diamond brand of almonds — which represents 55 percent of the almonds sold in the United States — has recently been supplemented with other nuts, Miller says. The new products — already on the Supply Bulletins — are hazelnuts, macadamias and pistachios, both red-dyed and blanched. The hazelnuts are available in 10-ounce cello packs — chopped, sliced or whole. The macadamias are in 5.25-ounce glass jars and a two-thirds-ounce foil packet. The pistachios come in six-ounce glass jars and an 11/16-ounce foil packet.

Nabisco Brands Inc. is tailoring its Planters brand of peanuts to include the low-calorie market with the introduction of Lite Peanuts in three jar sizes — 5¼-ounce, eight-ounce and 10½-ounce, in addition to its line of dry-roasted and oil-roasted nuts. Lite Peanuts are salted, but have one-third fewer calories and one-half less fat than the company's regular dry-roasted peanuts, says Nabisco spokeswoman Caroline Lee. They're in test market in the West and the Northeast, primarily Los Angeles and Boston. "They're doing great," she says.

Nabisco's Planters brand canister snacks — corn chips, pretzels, cornballs, cheese balls and cheese curls — have been on the market for a number of years in a seven-ounce size. The actual weight varies from 5.5-ounces for the corn balls to 7.5-ounces for the corn chips because the density is somewhat different among the snacks. All except the pretzels will soon be made in a family size, also — 80 percent larger (10-ounce to 13.5-ounce), Fee says. The larger canisters are in limited distribution now, and will probably be rolled out nationally later in the year, Fee says.

Other Nabisco snacks — Bueno Tortilla Chips, Nacho Cheese Chips, Chipsters, Corn Diggers, Flings and Mr. Salty Pretzels — are available in flexible packages. Another product, Corn Champs, will be added soon, she says.

Nabisco and Standard Brands merged during 1983 so the combined company now manufactures two different lines of salted snacks. The canister snacks carry the Planters name and will continue to do so, Fee says. The flexible package snacks have the Nabisco red triangle logo to identify them. Current plans do not call for any changes in the labels.

Though its variety of snack food offerings is considerable, Nabisco doesn't market potato chips, and doesn't plan to do so in the foreseeable future. The company seems to defy an industry standard as stated by *Chipper/Snacker's* Morris: "If you're going to be in the snack food business, you've just about got to have potato chips." Nabisco makes Chipsters, an extruded potato snack, but no chips.

Popcorn Butters Up Sales

"There is an increase in the consumption of popcorn and it's because of an increase in consumer demand for premium popcorn," says James Fowler, vice president and marketing director at the American Popcorn Co. "We're doing a better job selling premium popcorn — the 15-ounce white and yellow popcorn in a reusable plastic jar," he says.

Premium or gourmet popcorn is a hybrid corn that pops into a tender, appealing product, Fowler says. It has a moisture content of 13½ percent so that it pops uniformly. To further ensure uniform popping, only the center kernels on the cob are used — the "choice" kernels. If they are used exclusively, the result will be popped kernels with a more even size and texture, he says.

Field-run popcorn usually has a moisture content of about 16 percent to 17 percent when it is received at the mill, and the size varies from the smallest to the largest on the ears, he says. Appropriate storage and gravity-screening techniques are used to obtain only the best kernels as premium popcorn. The larger and smaller popcorn kernels are sold whole as packaged feed for pigeons, or are ground up as livestock and poultry feed, he says.

Regular popcorn is usually shelled in the field and heat-dried instead of being allowed to dry naturally over a period of time. In processing premium-grade popcorn, the corncobs (with the kernels intact) are stored for the months of drying. By leaving the kernels on the cob, the cob acts as a wick in drying the kernels over a period of time, he says.

Currently, there is a very short supply of popcorn, and prices may go up, says Fowler. "Next summer you will have higher prices again. Even when the supply is not so short, the prices tend to go up if the value of other grains goes up." He explains this apparent paradox as he tells MILITARY MARKET that the farmer has to make as much on popcorn as on any other crop. "If he can't, he won't grow it," he says.

Why do consumers demand premium grade popcorn and why are they willing to pay a higher price for it? Put simply, they want evenly popped kernels, and they want all of them to pop, Fowler says. So the secret in producing premium popcorn is to start with a good hybrid corn and ensure an optimum moisture content in the kernels, he says.

Popcorn is a family snack food, say officials at Hunt-Wesson Foods Inc., makers of Orville Redenbacher gourmet popping corn. About 60 percent of popcorn consumption is in the home, and of that amount approximately 85 percent is popped on the premises. About 30 percent is consumed in public places, such as movie theaters, zoos, ball parks and at other sporting events. The final 10 percent of comsumption the company considers as miscellaneous — some is exported, used for decoration, as packing material, etc.

Hunt-Wesson vacuum packs its gourmet popping corn in glass jars — 15-ounce and 30-ounce sizes. The jars are fitted with air-tight, screw-on lids so that the popcorn will maintain its proper moisture content while in transit, storage or in the consumer's cupboard.

New in the TV Time popcorn line at McCormick & Co. are three gourmet popcorns — a white, a yellow and a yellow variety especially processed to be popped in hot air poppers. The highest demand for the white gourmet corn is in Minnesota, the area where it is grown. The yellow and the hot air varieties are popular nationwide, says Mary Randisi, brand manager at McCormick.

The hot-air popcorn has a slightly lower moisture content (12.5 percent to 13.5 percent) than conventional or gourmet popping corn, which is generally around 13.5 percent. The reason for this difference is the constricted nature of hot air poppers. The corn is heated only a small amount at a time so that it won't jam the machine as it pops. In this way, the popping occurs at a somewhat slower velocity — that is, the kernels are heated in sequence, not heated simultaneously as they are in a hot-oil popper, Randisi says.

TV Time cheese-flavored popcorns are doing fine in the commissaries, says Randisi, and the company is "still considering a caramel flavor, too."

Pretzel Eaters: A Loyal Group

Pretzels comprise less than five percent of the dollar value of all the salted snacks purchased in the country. Still, it is estimated that more than 250 million pounds are consumed each year, according to Michele Madonna, executive secretary at the National Pretzel Bakers Institute. Pretzels tend to be a very regional item, and the region that eats the most of them is the Northeast. The pretzel center of the country is Lancaster, Pa. Frito-Lay with its Rold Gold pretzels and Nabisco with its Mr. Salty pretzels are the two big national producers in a market segment dominated by regional companies.

Pretzels have a unique allegiance of fans throughout the United States and almost 80 percent of pretzel sales are made to consumers who consider themselves heavy users, according to a recent survey, Madonna says.

Crunch and flavor are still the fundamental reasons for the continued popularity of the world's oldest snack food [since A.D. 600], she says.

But another reason for dedication to the snack is its low-calorie content. She tells MILITARY MARKET that a one-ounce handful of twisted, three-ring pretzels — about 10 of them — would be only 117 calories.

Though low in calories and fats (and having no sugar at all), the sodium content in pretzels is rather high. Madonna reports that a number of companies have produced a low-salt pretzel, but their acceptance has been slow among consumers. A number of smaller companies producing them have since discontinued baking them because of slow sales performance, she says. Sales of salt-free pretzels are best in the Northeast, especially in the Jewish community, she says. And despite the hesitation of some bakers, "There are more [salt-free] pretzels on the market now than ever before," she says.

On the other end of the scale are pretzels with more than the usual amount of salt. Keystone Pretzel Bakery Inc., a regional producer in Lancaster, currently makes extra salty pretzels "for those individuals who are not concerned about their salt intake," says John Skee, operations manager at Keystone.

He emphasizes the highly nutritional aspect of pretzels in general — usually made from whole-wheat flour — and their appeal to people who like salt. "The salt is on the outside where you can see it. The individual makes a choice whether to eat it or not," he says.

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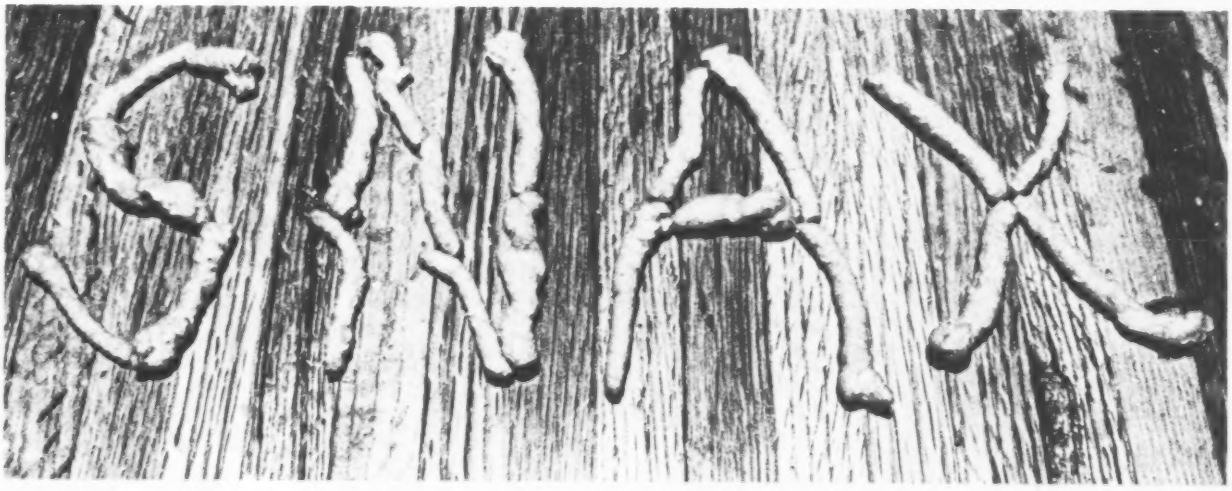

street. We recognize that the milrep community fulfills a real need within the exchange service. We don't always make the right buying decisions, and we look to the milreps for help, whether that means with stock balance, returns, promotions or just basic merchandising. The milrep should offer more than just filling out a purchase order."

Some remarks by milreps were glowing compliments to the Marines' system. "I think the Marine Corps does the best job of any resale agency, hands down," says another milrep.

"They always seem to have the money, and they are prompt in their pay, unlike the Navy, which may come up to you in August and say, 'We have no more money to buy.'"

Another milrep chimes in, "The Marine Corps is an individual base operation — we deal with them at the local level. It's a whole different world than AAFES or NAVRESSO. I believe that the other systems are too far removed from what is going on at the store level. Don't you think that the person at the store level knows what's best for their store better than someone sitting behind a desk in Dallas or Fort Wadsworth?"

AFCOMS

"All the resale systems should be as easy to get along with as AFCOMS," beams a Dallas-based milrep company president. "They have always been very forward-looking in their thinking and on top of things."

But there are weeds in the Garden of Eden. More than a couple of milreps point out that there's a need for improvement in handling receipts.

One milrep offered this sad tale: "The waiting time at some AFCOMS delivery points is a real problem. What is worse is being closed out after waiting to get unloaded or being turned away, based on too many trucks waiting."

Another milrep tells MILITARY MARKET that his firm has been penalized for trucks waiting to be unloaded by AFCOMS personnel. He had also incurred additional shipping charges for wrong items shipped by the manufacturer, received by AFCOMS, and then forced to be returned by AFCOMS. "Because an order is rejected for whatever reason, I don't feel it is right for AFCOMS to charge a manufacturer $100 for a redelivery," laments the West Coast-based milrep company president.

Other milreps report related distribution problems: "Perishables distributors are overcharging drayage for delivery to AFCOMS as a result of some of this. In addition, distributors want consigned merchandise, but many manufacturers are not willing to put merchandise in on a consigned basis."

One distributor tells MILITARY MARKET that he was required to pull a partially unloaded truck away from an AFCOMS loading dock to allow a common carrier to off-load first. "And then there are the unscheduled deliveries which you have to contend with, or deliveries changed at the last minute without prior notification. Everyone is supposed to have an appointment to unload their truck, and sometimes they try and squeeze in an unscheduled delivery, and that throws everyone off," he explains.

But "excess waiting or rescheduled delivery appointments should be the exception rather than the rule," says Bill Moran, AFCOMS' director of operations.

AFCOMS is concerned about reports that there are delivery problems at some stores. Says Moran: "We solicit industry's help in identifying these problems as they occur so that they can be promptly corrected. We encourage anyone encountering this type of attitude or action to bring it to the attention of top management at AFCOMS."

The perennial question of store-level merchandise selection also rears its head. Milreps still think it could be better. One of the most novel suggestions received by MILITARY MARKET regarding AFCOMS stores was from this milrep, who suggests, "I'd like to see them let the store managers and their wives shop in the commissary. Then they would be forced to see how woeful some of the brand choices and selections really are."

Despite the occasional complaints from reps, AFCOMS is high on the rep business. "Since AFCOMS was formed in April 1976, we have recognized the importance of milreps and have demonstrated this in a liberal open-door policy. At ALA meetings and in private conversations we have always been totally candid with industry representatives and have actively solicited them to bring their problems to us for solution," Moran says.

AFCOMS' position "has always been to resolve problems at the lowest levels and encourage escalation if the problem wasn't promptly solved. We have always had a great relationship with industry, maintaining a high ethical and professional standard of conduct," he says.

"The milrep business is a vital part of our business [and] much of the success we have enjoyed as a command is due to dedicated efforts of those in industry in support of our programs," he concludes.

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Uniform Communications System: No Need for Anxiety

By GUY LAMOLINARA
Managing Editor

COMPUTERS: The bane and downfall of countless workers are emerging in the commissary business in a way that will probably change forever the way most reps make their business calls.

Some milrep companies are fearful that these changes will kill their business. But many, and especially those that are familiar with the system and understand its implications, are actually excited about the Uniform Communications System. Under UCS, commissaries will interface via computer directly with distributors to place delivery orders.

UCS "will be as big as the UPC" in terms of its importance to the industry, believes Carl Eckstein, manager of information services for Francois L. Schwarz, a milrep firm. In fact, the Universal Product Code Commission and the Transportation Data Coordinating Committee, which is developing the standards, have teamed together on the UCS project. As a result, UPCs will be used as product identifiers in the UCS system.

What is UCS?

According to Paul Kelly, vice president for marketing at the Grocery Manufacturers of America Inc., UCS

is a "set of standards for routine repetitive business messages that enables computer-to-computer communications." By using UCS, orders and other information associated with the process are transmitted via computer, rather than on paper and through the mails.

UCS does not change the type of information that is being used in order processing — it merely standardizes the methods of processing. It can be likened to a standard computer "form," in which all information is keyed in the same way and in the same place for all transactions.

Such a system, once it is in place in the commissaries, will let a store manager place orders without going through a broker. A store's minicomputer can be linked directly to a distributor's. It will not be necessary to contact a milrep every time a store needs additional product. All a store need do is scan its shelves with a hand-held data-entry terminal and an order will be generated based on the information keyed in.

Although the commissary systems are not currently using UCS, its use in the civilian sector is "somewhat widespread," says Kelly, who describes the technology as being "in the middle stages of development." About 50 major supermarket companies are pilot testing the system, he tells MILITARY MARKET. "Longterm, it will become the method of the future," he says.

'Anxiety Must Be Eliminated'

Whether milreps need to be concerned about UCS and direct store delivery creating a smaller role for them in the commissary business is still a bone for contention, but industry and association officials contacted by MILITARY MARKET are not overly concerned.

"One of ALA's biggest chores is to educate the milreps that there is no threat," A. Kolbet Schrichte, executive vice president of the American Logistics Association, says. "That anxiety must be eliminated."

An Arthur D. Little study confirms that "the proposed grocery industry Uniform Communications System is economically attractive to *all* [emphasis added] industry segments," and this, it says, includes brokers as well as distributors and grocers.

In an effort to stem the tide of uncertainty in the milrep community, ALA held a UCS seminar on Feb. 29 and March 1. "This whole process [UCS], from the viewpoint of the sales rep, is a tremendous opportunity. Anyone can use the data-entry terminal and its use literally replaces hundreds of pieces of paper. It frees the milrep to do what he does best — sell," Schrichte says.

"UCS is not meant to affect the relationship between the buyer and the broker," Patrick Hlubik, a spokesman for Nabisco Brands USA tells MILITARY MARKET. "If the broker has a function [in the commissary] prior to UCS, it still has to be done after UCS," he says.

And those who attended the ALA seminar were also assured of the advantages of UCS. "We don't see it reducing the role of milreps," Thomas E. Joyner, corporate director of management information services for V.H. Monette, a military sales broker, says. "UCS will cut down on the duplication of efforts," he tells MILITARY MARKET.

"We plan on going with this [UCS]. It will save a lot of money," says Schwarz's Eckstein. Although it is still too early to predict when UCS will be available for widespread use, Eckstein says it possibly may be sometime this year.

Even officials from the commissary systems, who could have much to gain by foregoing milreps (manufacturers could conceivably pass on to commissaries the savings of not having to pay the reps a commission, as is suggested by AAFES), do not predict the reps' dreaded downfall. AFCOMS' Bill Moran, director of operations, and Marshall Atcheson, Gulf Area complex director, say that brokers "absolutely [will not be reduced in importance]. They still have a tremendous role to play."

The AFCOMS officials eagerly await UCS. Reasons: "We should be able to reduce inventory levels and *eventually*," they stress, "reduce out-of-stocks. Man-hours will also be saved, not only for AFCOMS but also for the milreps. There'll be approximately 3,000 items the milreps won't have to inventory any more." It will be possible to inventory items with the hand-helds.

Honing Competition

If anything, the implementation of UCS may heighten the milreps' role. "It will hone competition among milrep companies," Schrichte says. It would be foolish and costly for manufacturers to sidestep their brokers or inside sales reps in favor of doing business solely with a distributor, Schrichte believes.

If a company is represented by "little more than a blank screen," says Schrichte, "it won't sell as much [as the company with sales reps out in the field promoting the products]. Most companies have already realized this. You can't shrink the sales force. UCS only changes the *nature* of the salesperson's job.

"The distributor isn't equipped to do what a milrep does," he adds.

Representatives from each of the resale systems and from industry have agreed to jointly form a task force so that once UCS is feasible for widespread use, the military won't be left behind in the proverbial computer-chip dust. As it stands now, "the commercial world isn't that far ahead of us," Schrichte says.

"The services must have a standard reference program right now. There has been increasing pressure for some sort of standardization," he says.

"Today, a broker has to cope with the fact that every manufacturer has its own format" for orders, Peggy Barry, vice president, marketing manager, for S & K Sales, a military sales broker. Also, each military service has its own formats. The broker is the middle man in this process of order exchange and deals with many manufacturers. So when UCS gets well under way, "the broker will therefore find it easier to transmit orders to the manufacturers it deals with," she tells MILITARY MARKET.

Rather than being wary of direct ordering by stores to the manufacturer or distributor, Barry sees the process positively: It will be especially advantageous if "we can get the military to go to the UCS format, and therefore have the order transmitted from the military account directly to the manufacturer.

"Some brokers won't like this because they want to see every order to make sure they get all their commissions." But studies have shown that manufacturers don't cheat on their commissions; 90 percent of the brokers won't have a problem with this direct military/manufacturer interface on orders, she says.

According to Barry, the major UCS benefits are increased speed in transmitting orders, bypassing of the intermediate step of going through a broker and giving salespeople more time to do what only they can do — sell.

'Salespeople Waste Time'

The Arthur D. Little report estimates that 20 percent of manufacturers and distributors, accounting for 70 percent of industry volume, will participate in UCS within three to five years of the system's introduction. It is also estimated that each participant will be able to handle 70 percent of all transactions this way; this will mean that overall, 50 percent of all industry transactions will be through UCS.

Direct savings for the industry — brokers, manufacturers and distributors — could climb as high as $83.9 million per year. Indirect benefits from such transactions as direct store delivery, something the report did not research, could nearly triple the direct savings *(See chart)*.

Moreover, UCS does not require an expensive setup, Nabisco Brands' Hlubik says. "And the costs are getting smaller."

Also small will be the costs of transmitting the data. "Typical EDI [electronic data input] messages will be short (e.g., 500 to 1,000 characters) and the total time required for a typical firm to transmit and receive messages will only be a few hours per week."

In the military, people waste a lot of time preparing orders, says S & K's Barry. Now "the biggest problem is that 75 percent of a salesperson's time is taken up with administrative things — writing orders, checking pricing and so forth . . . If they didn't have to do these types of things, then the salespeople could do things like build displays and actually sell products," Barry says.

'It's Going Into Effect'

In addition to UCS (and in some cases a byproduct of its use) is direct store delivery — another upcoming innovation. Currently, NAVRESSO is testing the feasibility of DSD at NAS Miramar and North Island, Calif., and AFCOMS is doing it at Eglin AFB, Fla.

Under the test, data are transmitted electronically from the commissary to the distributor, bypassing the milrep who would normally take the order and send it to its distributor. Currently, there is no standard format for transmitting this information, and that is another area where UCS will come in. When UCS is used in conjunction with direct store delivery, the process will become standardized, enabling all stores and distributors to use the same system.

NAVRESSO's test with the distribution firm of A.M. Lewis began last Dec. 19 and was scheduled to run for 60 days. According to Public Affairs Officer John Russas, "The test was successful in the first two stores [tested]. It was expanded to three more stores in the San Diego region on March 5": NAS 32nd Street, NTC San Diego and NAF El Centro. Russas assures that direct store delivery "will not affect brokers. There is no change in the relationship with the military brokers.

AFCOMS is also looking at the results of its still ongoing test, which also began last December. "We will take a look at each store to make sure it will work. Because of geographical location of some of the stores, it may not be possible," say Moran and Atcheson. "We're anticipating expansion on a case-by-case basis."

For many, there is no doubt that UCS will become a permanent fixture in their business operations. It's "an idea that's going to go into effect," S & K's Barry says.

Schwarz's Eckstein agrees, adding, "But the bigger you are, the harder it is to change."

NET INDUSTRY SAVINGS

(50 percent of all transactions through system
($ in millions per year)

	Distributor	Broker	Manufacturer	Total
Direct savings	$30.7	$17.4	$35.8	$83.9
Operating Cost	$4.3	$4.8	$6.7	$15.8
Net direct savings	$26.4	$12.6	$29.1	$68.1
Indirect savings	$53-$98	$12-$26	$63-$132	$128-$256
Total potential savings	$80-$125	$24-$38	$92-$161	$193-$324

SOURCE: Arthur D. Little Inc.

MILREPS: SOME SURPRISING DEMOGRAPHICS

INCLUDED WITH the request for information for this year's MILITARY MARKET Milrep Directory was a questionnaire designed to gather some insights and statistical data about the milrep trade and its problems.

Seventy milrep companies, brokers and distributors (out of almost 300) sent back the questionnaire, which asked questions about the nature of their businesses, the changes they had seen in the systems since they began working with them, and problems they have with the resale agencies.

Many of their comments, grievances and suggestions were used in compiling the accompanying report. The companies that wished to talk further about their situations were contacted individually by MILITARY MARKET; their anonymity has been expressly protected throughout the accompanying article.

Besides this information, other data were collected, and some of that appears below. Noteworthy is the length of time the majority of the respondents (generally company presidents and board chairmen) have been working in the resale business. — **J.B.**

1. DO YOU DEAL WITH COMMISSARIES, EXCHANGES, OR BOTH? Exchanges only — 32. Commissaries only — 10. Both — 28.

2. DO YOU PRIMARILY DEAL WITH THE SYSTEMS AT THE HEADQUARTERS, REGION/COMPLEX OR STORE LEVEL? Headquarters — 20. Region/complex — 29. Store — 21.

3. HOW LONG HAVE YOU BEEN INVOLVED IN THE MILREP BUSINESS? 1-5 years — 4. 5-10 years — 3. 10-20 years — 20. 20-30 years — 18. 30+ years — 25.

4. DID YOU WORK FOR ONE OF THE RESALE AGENCIES BEFORE YOU BEGAN WORKING AS A MILREP? Yes — 14. No — 56.

Military Market index

Commissaries

		DECEMBER			YEAR-TO-DATE		
		CY'83	CY'82	%	CY'83	CY'82	%
Air Force	CONUS	$162,220	$161,319	+0.56	$1,767,640	$1,679,697	+5.24
	OVERSEAS	33,195	33,171	+0.07	352,091	337,701	+4.26
	TOTAL	**195,415**	**194,490**	**+0.48**	**2,119,731**	**2,017,398**	**+5.07**
Army	CONUS	122,955	100,776	+22.01	1,262,192	1,205,880	+4.67
	OVERSEAS	30,135	31,408	-4.05	390,559	359,736	+8.57
	TOTAL	**153,090**	**132,184**	**+15.82**	**1,652,751**	**1,565,616**	**+5.57**
Navy	CONUS	73,089	63,285	+15.49	675,068	622,583	+8.43
	OVERSEAS	8,755	7,321	+19.59	78,307	72,840	+7.51
	TOTAL	**81,844**	**70,606**	**+15.92**	**753,375**	**695,423**	**+8.33**
Marines	CONUS	13,938	12,709	+9.67	140,920	132,164	+6.63
	OVERSEAS	241	236	+2.12	2,328	2,198	+5.91
	TOTAL	**14,179**	**12,945**	**+9.53**	**143,248**	**134,362**	**+6.61**
Coast Guard	CONUS	330	251	+31.47	3,533	3,233	+9.28
	OVERSEAS	236	246	-4.07	2,399	2,400	-0.04
	TOTAL	**566**	**497**	**+13.88**	**5,932**	**5,633**	**+5.31**
All Commissaries	CONUS	372,532	338,340	+10.11	3,849,353	3,643,557	+5.65
	OVERSEAS	72,562	72,382	+0.25	825,684	774,875	+6.56
	TOTAL	**$445,094**	**$410,722**	**+8.37**	**$4,675,037**	**$4,418,432**	**+5.81**
Grocery Stores	U.S.[1]	**$22.936 bil.**	**$22.052 bil.**	**+4.01**	**$247.628 bil.**	**$236.489 bil.**	**+4.71**

Exchanges

AAFES	CONUS	$322,458	$307,986	+4.70	$2,821,031	$2,725,972	+3.49
	OVERSEAS	183,681	187,226	-1.89	1,862,325	1,826,644	+1.95
	TOTAL	**506,139**	**495,212**	**+2.21**	**4,683,356**	**4,552,616**	**+2.87**
Navy	CONUS[2]	112,802	115,371	-2.23	1,055,069	1,050,090	+0.47
	OVERSEAS[2]	44,601	44,265	+0.76	443,757	421,857	+5.19
	TOTAL[2]	**157,403**	**159,636**	**-1.40**	**1,498,826**	**1,471,947**	**+1.83**
Marines	CONUS	35,984	34,986	+2.85	342,983	341,784	+0.35
	OVERSEAS	5,681	5,899	-3.70	56,185	56,673	-0.86
	TOTAL	**41,665**	**40,885**	**+1.91**	**399,168**	**398,457**	**+0.18**
Coast Guard	CONUS[3]	8,394	8,409	-0.18	75,277	74,301	+1.31
	OVERSEAS[3]	1,145	938	+22.07	10,265	8,283	+23.93
	TOTAL[3]	**9,539**	**9,347**	**+2.05**	**85,542**	**82,584**	**+3.58**
Mail Order	CONUS[4]	2,598	1,983	+31.01	16,149	14,143	+14.18
	OVERSEAS[4]	5,776	5,282	+9.35	47,319	47,023	+0.63
	TOTAL[4]	**8,374**	**7,265**	**+15.26**	**63,468**	**61,166**	**+3.76**
All Exchanges	CONUS	482,236	468,735	+2.88	4,310,509	4,206,290	+2.48
	OVERSEAS	240,884	243,610	-1.12	2,419,851	2,360,480	+2.52
	TOTAL	**$723,120**	**$712,345**	**+1.51**	**$6,730,360**	**$6,566,770**	**+2.49**
Department Stores	U.S.[1]	**$18.872 bil.**	**$17.149 bil.**	**+10.05**	**$115.834 bil.**	**$107.030 bil.**	**+8.23**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.